

Geography of Poverty, Territorial Growth and Rural Development

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Outline

1. Rural poverty and the importance of local growth to reduce poverty.
2. Determinants of regional growth.
3. Determinants of local growth.
4. Rural development for the economic incorporation of the poor to local growth.
5. Conclusions: toward a “new” rural development strategy for the international development agencies.

I. Rural poverty and the importance of local growth to reduce poverty

Importance of the problem:

- 47% of world population in poverty (<2\$/day)
- 20% in extreme poverty (<1\$/day)
- More than 65% of world poverty is rural.
- 77% South East Asia, 70% Africa, 57% Central America .

Past failures to reduce rural poverty: Latin America: 75% of rural poverty reduction comes from migration to the cities.

Search for “new” approaches to rural development in the international development agencies (WB, IFAD, IDB, IICA, DIFID) to reduce rural poverty without relying on migration.

Debate on the role of growth to reduce poverty

Growth is essential to reduce poverty.

The **quality** of growth affects its ability to reduce poverty: labor intensity; initial levels of inequality and of secondary education.

For the rural poor, quality requires in addition **local** growth:

- Where the poor are.
- In the regions that have absolute advantages.

The geography of poverty is thus the starting point for this approach: build high resolution poverty maps.

Philosophy of a “new” approach to attack rural poverty

“Decentralization of growth and local incorporation of the poor”

The three components of this strategy:

1. Regional growth.
2. Local growth (municipality).
3. Incorporation of the poor to local growth.

II. Regional growth: Four questions

1. How do regions grow of their own?

Endogenous growth theories (national and regional)

- **Regional growth engines:** agriculture, industry (free duty zones), tourism, and linkages with these activities (forward, backward, and final demand).
- **Agglomeration economies:** economies of scale in local spillovers (but also congestion externalities).
- Hence, **role of the state** to give full incentives to the investments that create these positive externalities (subsidies, public goods), compensating for market failures.

2. How can the central state accelerate regional growth?

- Industrial decentralization policy.
- Investments in public goods.
- Coordination between national and regional/rural policies: “rural lens” (Canada)

3. Comment la région peut-elle promouvoir sa propre croissance?

Institutions for regional governance: “Regional Development Councils”. Functions of the Councils:

- Identify the region’s absolute advantages (effective demand).
- Regional development plans to coordinate public and private investments.
- Promotion of the region and definition of a branding strategy.

4. Decentralization and economic projects: the Latin American experience

- Decentralization (Bolivie, Mexique) has occurred at the level of the **municipality**.
- The municipality is an appropriate administrative level for the supply of public goods and services (health, education, housing), but generally not for the definition of **economic growth** strategies.
- Decentralization for growth must consequently be done at an intermediary level: the economic **region**.

III. Local Growth

Determinants of a locality's participation to regional growth:

3.1. Proximity to sources of influence in the region

Proximity to an agricultural region

Proximity to a large metropolis

3.2. Transmission of regional influence to the locality

Concepts of proximity: distance, gravity, similarities
(language, culture)

3.3. Absorptive capacity of regional influence

Asset endowments, infrastructure, education labor skills, quality of the “investment climate”.

3.4. How can the locality promote its growth capacity?

Municipal **decentralization** with own fiscal resources.

Roles of municipal **administration**:

- Maximize the **transmission** of regional influence.
- Maximize the **absorption** capacity of regional influence:
 - Public-private **coordination** for the identification of projects and investment.
 - Use of **public** investment to attract **private** investment.
 - Links between **local** institutions (information and enforcement advantages) and **global** institutions (advantages for risk diversification and market depth).
 - Promotion of producers **organizations** for economies of scale in marketing and for collective action

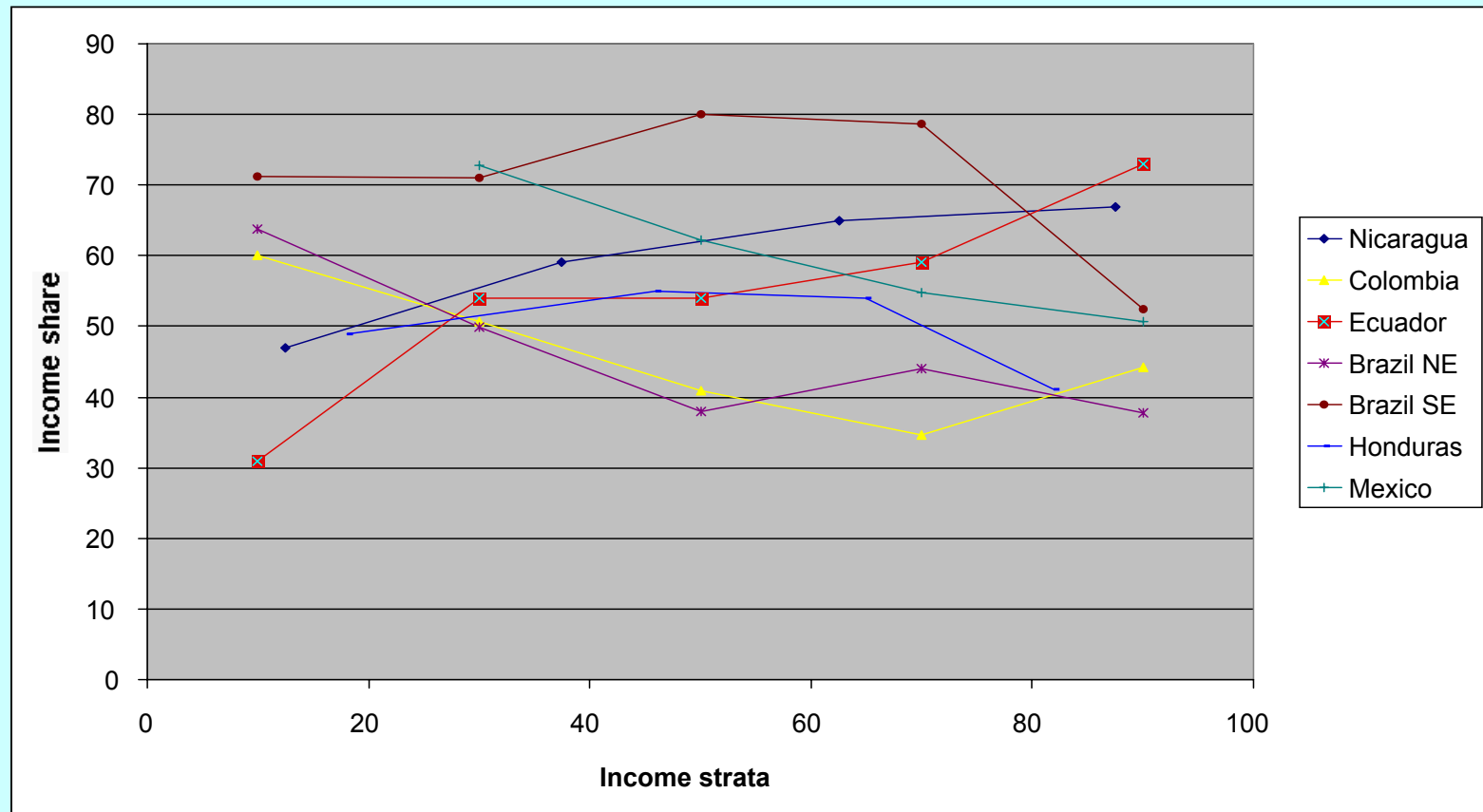
IV. Rural development for the economic incorporation of the poor

1. Existence of a multiplicity of roads out of poverty: 5 roads

- **Exit road through aggregate economic growth:** Weak impact on rural poverty *in-situ*.
- **Exit road through migration:** Important, but to be reduced toward large agglomerations (displacement of poverty)
- **Exit road through monetary transfers (social funds):** limited by the magnitude of poverty and budgetary costs.
- **Exit road through family and community agriculture** (classical approach through land reform and rural development): limited by access to land and market failures for beneficiaries.
- **Exit road through pluriactivity:** Increasingly important; under-used potential; effectiveness conditional on local growth.

2. Fundamental importance of pluriactivity

55% of rural incomes obtained off-farm (Latin America).
Pluriactivity important for both poor and rich: exit road.



% of income from off-farm by income class

Pluriactivity allows to take advantage of the diversity of skills among household members:
specialized individuals; diversified household.

It is also a response to credit and insurance **market failures**, and to high transactions costs on markets that induce pluriactivity .

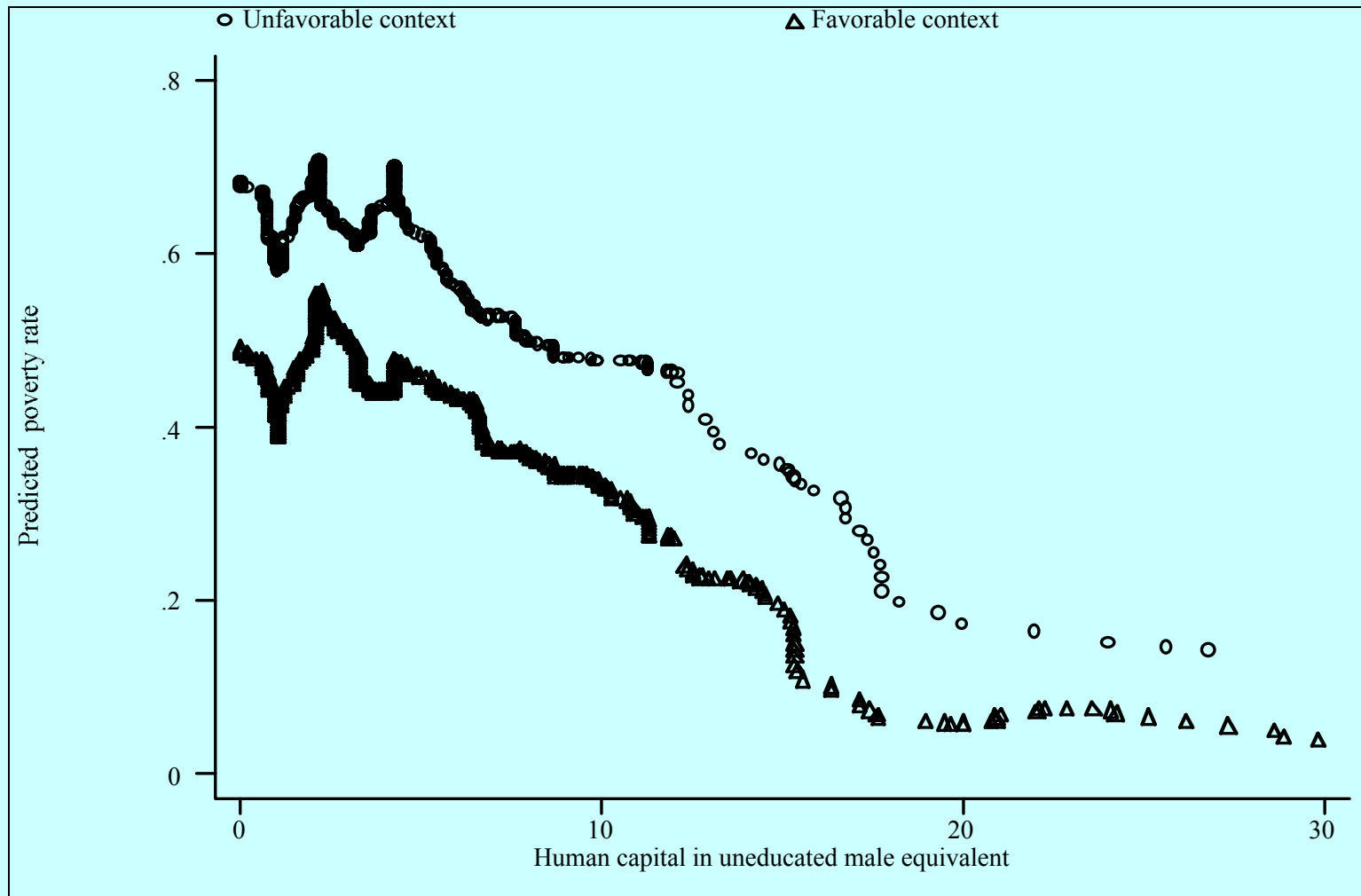
Conditions of **access** to rural non-agricultural sources of income:

- Role of asset ownership:**

- Secondary and superior education, social capital (reputation, connections).

- Role of context (Figure)**

- Local growth and local employment and investment opportunities.



Role of assets and context on the incidence of poverty in 506 Mexican rural communities

3. Administrative implications of the importance of pluriactivity as a road out of poverty

Define rural development as a **household** strategy, not a farm strategy.

Define rural development as a **multi-sectoral (territorial)** strategy, not an agricultural strategy.

Seek to **link the poor to the non-poor**: employment creation by the non-poor; joint ventures between poor and non-poor (Petrolina in Brazil).

Develop markets and contracts for the sale of environmental services (**multifunctionality** = pluriactivity).

V. Conclusion

Toward a “new” rural development strategy

- **Immensity** of the poverty problem at a world scale (47%).
- Dominance of **rural** poverty in total poverty (>65%).
- **Failure** to attack rural poverty: exit roads from poverty through aggregate income growth, migration, and monetary transfers (social funds) are insufficient.
- **Sharp decline** in the World Bank’s loan portfolio for agriculture and rural development: from 39% in 1978, to 12% in 1996, and 7% in 2000.

Conclusion

Urgent to experiment with a new approach to world poverty reduction based on:

- 1. The geography of poverty and territorial growth (regional and local)**
- 2. Rural development (pluriactivity in particular) for the economic incorporation of the rural poor to the benefits of local growth.**

The end